

QUARTERLY REPORT

LICENSEE HARRAH'S CASINO HOTEL , ATLANTIC CITY

ADDRESS 777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

FOR THE QUARTER ENDED JUNE 30, 2003

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

NAME OF OFFICER IN
CHARGE OF
CORRESPONDENCE
REGARDING THIS
QUARTERLY REPORT

ANTHONY P. RODIO

OFFICIAL TITLE VICE PRESIDENT OF FINANCE AND ADMINISTRATION

ADDRESS 777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

BALANCE SHEETS

AS OF JUNE 30, 2003 AND 2002

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents (Note 2).....	\$ 35,991	\$ 32,046
2	Short-Term Investments.....	0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2003, \$991; 2002, \$1,249).....	5,846	5,674
4	Inventories (Note 2).....	1,397	992
5	Prepaid Expenses and Other Current Assets (Note 5).....	9,257	6,490
6	Total Current Assets.....	52,491	45,202
7	Investments, Advances, and Receivables (Note 6).....	413,659	388,623
8	Property and Equipment - Gross (Notes 2 and 3).....	777,690	734,287
9	Less: Accumulated Depreciation and Amortization (Notes 2 and 3).....	(293,072)	(263,404)
10	Property and Equipment - Net (Note 2 and 3).....	484,618	470,883
11	Other Assets (Note 7).....	11,082	13,149
12	Total Assets.....	\$ 961,850	\$ 917,857
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 1,334	\$ 1,521
14	Notes Payable.....	0	0
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	0	0
16	Other.....	0	0
17	Income Taxes Payable and Accrued (Note 2).....	0	0
18	Other Accrued Expenses (Note 9).....	21,934	54,797
19	Other Current Liabilities.....	119	137
20	Total Current Liabilities.....	23,387	56,455
	Long-Term Debt:		
21	Due to Affiliates (Note 4).....	650,000	650,000
22	Other	0	0
23	Deferred Credits (Note 2).....	882	906
24	Other Liabilities (Note 10).....	41,395	42,913
25	Commitments and Contingencies (Note 2)		
26	Total Liabilities.....	715,664	750,274
27	Stockholders', Partners', or Proprietor's Equity.....	246,186	167,583
28	Total Liabilities and Equity.....	\$ 961,850	\$ 917,857

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	2003	2002
	Revenue:		
1	Casino	\$ 219,956	\$ 204,666
2	Rooms	18,982	14,945
3	Food and Beverage	25,602	23,752
4	Other	3,339	3,069
5	Total revenue	267,879	246,432
6	Less: Promotional Allowance (Note 2)	54,147	46,830
7	Net revenue	213,732	199,602
	Costs and Expenses:		
8	Cost of goods and services	106,084	98,025 *
9	Selling, general, and administrative	17,029	18,090
10	Provision for doubtful accounts	0	205
11	Total costs and expenses	123,113	116,320
12	Gross Operating Profit	90,619	83,282
13	Depreciation and amortization	15,385	12,569 *
	Charges from affiliates other than interest:		
14	Management Fees	0	0
15	Other Note 11	5,796	5,748
16	Income (Loss) from Operations	69,438	64,965
	Other Income (Expenses):		
17	Interest (expense) - affiliates	(26,000)	(25,998)
18	Interest (expense) - external	0	0
19	Investment alternative tax and related income (expense) - net	(1,464)	(1,701)
20	Nonoperating Income (expense) - net (Note 12)	169	378
21	Total other income (expenses)	(27,295)	(27,321)
22	Income (Loss) Before Income Taxes and Extraord. Items	42,143	37,644
23	Provision (credit) for income taxes (Note 2)	3,878	1,423
24	Income (Loss) Before Extraordinary Items	38,265	36,221
25	Extraordinary items (net of income taxes - 2003, \$0; 2002, \$0)	0	0
26	Net Income (Loss)	\$ 38,265	\$ 36,221

*Certain 2002 amounts have been reclassified to conform with 2003 presentation.

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	2003	2002
	Revenue:		
1	Casino	\$115,516	\$109,612
2	Rooms	9,780	8,568
3	Food and Beverage	13,234	12,999
4	Other	1,670	1,613
5	Total revenue	140,200	132,792
6	Less: Promotional Allowance (Note 2)	28,048	25,717
7	Net revenue	112,152	107,075
	Costs and Expenses:		
8	Cost of goods and services	54,266	51,402
9	Selling, general, and administrative	8,674	9,898
10	Provision for doubtful accounts	0	97
11	Total costs and expenses	62,940	61,397
12	Gross Operating Profit	49,212	45,678
13	Depreciation and amortization	7,744	6,626
	Charges from affiliates other than interest:		
14	Management Fees	0	0
15	Other (Note 11)	2,968	2,955
16	Income (Loss) from Operations	38,500	36,097
	Other Income (Expenses):		
17	Interest (expense) - affiliates -	(13,000)	(13,000)
18	Interest (expense) - external	0	0
19	Investment alternative tax and related income (expense) - net	(636)	(842)
20	Nonoperating Income (expense) - net (Note 12) ...	89	181
21	Total other income (expenses)	(13,547)	(13,661)
22	Income (Loss) Before Income Taxes and Extraord. Items	24,953	22,436
23	Provision (credit) for income taxes (Note 2)	1,803	900
24	Income (Loss) Before Extraordinary Items	23,150	21,536
25	Extraordinary items (net of income taxes - 2003, \$0; 2002, \$0)	0	0
26	Net Income (Loss)	\$23,150	\$21,536

*Certain 2002 amounts have been reclassified to conform with 2003 presentation.

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STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2003
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2002

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2001	\$165,954	(\$34,453)	\$0	\$131,501
2	Net Income - 2002		76,559		\$76,559
3	Capital Contributions.....				
4	Capital Withdrawals.....		0		\$0
5	Partnership Distributions.....				
6	Prior Period Adjustments.....		(139)		(\$139)
7				
8				
9				
10	Balance, December 31, 2002	165,954	41,967	0	207,921
11	Net Income - 2003		38,265		\$38,265
12	Capital Contributions.....				
13	Capital Withdrawals.....		0		\$0
14	Partnership Distributions.....				
15	Prior Period Adjustments.....		0	0	\$0
16				
17				
18				
19	Balance, June 30, 2003	\$165,954	\$80,232	\$0	\$246,186

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2003	(d) 2002
1	Net Cash Provided (Used) by Operating Activities	\$ 14,596	\$ 74,329
	Cash Flows from Investing Activities:		
2	Purchase of short-term investment securities	0	0
3	Proceeds from the sale of short-term investment securities	0	0
4	Cash outflows for property and equipment	(14,874)	(72,375)
5	Proceeds from disposition of property and equipment	0	0
6	Purchase of casino reinvestment obligations	(2,703)	(2,426)
7	Purchase of other investments and loan advances made	0	0
8	Proceeds from disposal of investments and collection of advances and long-term receivables	0	0
9	Cash outflows to acquire business entities	0	0
10	Write Off Abandoned Projects	0	0
11		0	0
12	Net Cash Provided (Used) by Investing Activities ..	(17,577)	(74,801)
	Cash Flows from Financing Activities:		
13	Cash proceeds from issuance of short-term debt	0	0
14	Payments to settle short-term debt	0	0
15	Cash proceeds from issuance of long-term debt	0	0
16	Costs of issuing debt	0	0
17	Payments to settle long-term debt	0	0
18	Cash proceeds from issuing stock or capital contributions	0	0
19	Purchases of treasury stock	0	0
20	Payments of dividends or capital withdrawals	0	0
21	Transfer to Affiliates	0	0
22			
23	Net Cash Provided (Used) by Financing Activities	0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents	(2,981)	(472)
25	Cash and Cash Equivalents at Beginning of Period	38,972	32,518
26	Cash and Cash Equivalents at End of Period	\$ 35,991	\$ 32,046
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
27	Cash Paid During Period for:		
	Interest (net of amount capitalized)	\$ 60,811	\$ 262
28	Income Taxes	\$ 5,502	\$ 3,115

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE

HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2003	(d) 2002
	Net Cash Flows From Operating Activities:		
29	Net Income (loss)	\$ 38,265	\$ 36,221
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property & equipment	15,358	12,527 *
31	Amortization of other assets	27	42 *
32	Amortization of debt discount or premium	0	0
33	Deferred income taxes - current	0	0
34	Deferred income taxes - noncurrent	0	0
35	(Gain) loss on disposition of property & equipment	0	0
36	(Gain) loss on casino reinvestment obligation	0	0
37	(Gain) loss from other investment activities	0	0
38	Net (increase) decrease in receivables and patrons checks	227	12,241
39	Net (increase) decrease in inventories	(77)	(32)
40	Net (increase) decrease in other current assets	(4,619)	(2,311)
41	Net (increase) decrease in other assets	1,007	1,275 *
42	Net increase (decrease) in accounts payables	(577)	(543)
43	Net increase (decrease) in other current liabilities excluding debt ...	(63,834)	13,718
44	Net increase (decrease) in other noncurrent liabilities excluding debt ...	(749)	(843)
45	Net increase in other receivables or advances	29,568	2,034
46			
47	Net Cash Provided (Used) by Operating Activities	\$ 14,596	\$ 74,329
	SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
	Acquisition of Property and Equipment:		
48	Additions to property and equipment	\$ 14,874	\$ 72,375
49	Less: capital lease obligations incurred	0	0
50	Cash Outflows for Property and Equipment	\$ 14,874	\$ 72,375
	Acquisition of Business Entities:		
51	Property and equipment acquired	\$	\$
52	Goodwill Acquired		
53	Net assets acquired other than cash, goodwill, and property and equipment		
54	Long-term debt assumed		
55	Issuance of stock or capital invested		
56	Cash Outflows To Acquire Business Entities	\$	\$
	Stock Issued or Capital Contributions:		
57	Total issuance of stock or capital contributions	\$	\$
58	Less: issuances to settle long-term debt, and		
59	Consideration in acquisition of business entities		
60	Cash Proceeds from Issuing Stock or Capital Contributions	\$	\$

*Certain 2002 amounts have been reclassified to conform with 2003 presentation.

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	191,068	\$ 16,642	-	\$ -
2	Food	1,081,500	10,815	-	-
3	Beverage	2,468,000	6,170	-	-
4	Travel	-	-	23,232	2,300
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	1,591,998	19,900	-	-
7	Entertainment	-	-	-	-
8	Retail & Non-Cash Gifts	124,000	620	131,462	657
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	5,456,566	\$ 54,147	154,694	\$ 2,957

FOR THE THREE MONTHS ENDED JUNE 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	98,290	\$ 8,561	-	\$ -
2	Food	534,000	5,340	-	-
3	Beverage	1,316,800	3,292	-	-
4	Travel	-	0	14,919	1,477
5	Bus Program Cash	-	0	-	-
6	Other Cash Complimentaries	843,998	10,550	-	-
7	Entertainment	-	0	-	-
8	Retail & Non-Cash Gifts	61,000	305	58,662	293
9	Parking	-	0	-	-
10	Other	-	0	-	-
11	Total	2,854,088	\$ 28,048	73,581	\$ 1,770

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Marina Associates (the "Partnership") operates as a general partnership which owns and operates a casino hotel located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. Harrah's Operating Company, Inc. ("HOC"), a direct wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's") through its subsidiaries, is the sole owner of the Partnership. A substantial portion of the Partnership's revenues are derived from gaming operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents - Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

Inventories - Inventories of provisions and supplies are valued at the lower of cost, weighted average, or market.

Property and Equipment - Property and equipment are stated at cost, including capitalized interest. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the assets, as follows:

Buildings, leaseholds and improvements	40 years
Furniture, fixtures and equipment	3 - 10 years

Long-Lived Assets - During 1996, the Partnership adopted the provisions of Statement of Financial Standard No. 121, "Accounting for the Impairment of Long-Lived Assets" ("SFAS 121"). SFAS 121 requires, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. During the periods presented in these financial statements, no business conditions or events occurred which may indicate a possible impairment. The assessment for potential impairment is based primarily on the Company's ability to recover the unamortized balance of its long-lived assets from expected future cash flows from its operations on an undiscounted basis.

Investments in Subsidiaries - During 1999, the Company, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately \$10,325. The existing facilities located on the parcel site were demolished and a new plaza was constructed on the site at a cost of approximately \$2,365. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of \$1,120 per year.

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Promotional Allowances - Gross revenues include the retail value of complimentary food, beverage, theater and hotel services and the amount of volume-based cash rebates paid to casino patrons. The value of these promotional allowances is deducted to arrive at net revenues.

Income Taxes - The accompanying financial statements do not include a provision for federal income tax purposes by the individual partners. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of tax assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

Disclosures - In accordance with the Quarterly Report Instructions, the Partnership has not submitted updated information for the summary of future lease obligations and contribution of savings and retirement plan in which employees of the Partnership may participate. There has been no significant changes to the information submitted in our December 31, 2002 Annual Report.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Casino Licensing - In April 2000, the New Jersey Casino Control Commission renewed the Partnership's casino license through April 2004. A New Jersey casino license is not transferable and must be renewed by filing an application.

Recent Accounting Pronouncements - In January 2001, the Emerging Issues Task Force reached a consensus on certain issues within Issue No. 00-22, "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future" ("EITF 00-22"). EITF 00-22 requires volume-based cash rebates to be classified as a reduction of revenue. Accordingly, such rebates have been classified as promotional allowances. The Partnership previously classified these expenditures as gaming expense.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard is effective for fiscal years beginning after June 15, 2002. The Partnership does not expect the adoption of SFAS No. 143 to have a material impact on the Partnership's financial results.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This standard addresses financial accounting and reporting for the impairment or disposal of long-lived

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

assets. The standard is effective for fiscal years beginning after December 15, 2001. During the second quarter of 2003, the Partnership did not have any asset impairments or disposals of long-lived assets.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and Equipment as of June 30 consisted of the following:

	<u>2003</u>	<u>2002</u>
Land and Land Improvements	\$ 72,260	\$ 71,826
Buildings, Leaseholds and Improvements	516,408	477,444
Furniture, Fixtures and Equipment	181,937	164,903
Construction in Progress	<u>7,085</u>	<u>20,114</u>
	777,690	734,287
Less Accumulated Depreciation	<u>(293,072)</u>	<u>(263,404)</u>
Property and Equipment, Net	<u>\$484,618</u>	<u>\$470,883</u>

NOTE 4 - LONG-TERM DEBT

Long-term debt as of June 30 consisted of the following:

	<u>2003</u>	<u>2002</u>
Promissory Note	<u>\$650,000</u>	<u>\$650,000</u>

On October 31, 2001, the Partnership and HOC consummated a promissory note for \$650,000. All principal and interest outstanding on the promissory note is due and payable on demand to HOC. Interest is computed on an annual basis using 360 days for the actual number of days elapsed during a year, and an annual rate of 8%. Any amount of principal not paid by the Partnership to HOC when due will bear an additional 2% annual interest rate. On March 12, 2003 the 8% Promissory Note was assigned to Gaming Entertainment Limited, a foreign entity that is 100% owned by HOC. Neither the term nor amount of the debt was effected by this assignment.

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of June 30 consisted of the following:

	<u>2003</u>	<u>2002</u>
Prepaid Taxes	\$ 2,185	\$ 1,589
Prepaid Insurance	567	359
Prepaid Air Charters	2,040	2,182
Prepaid Marketing	1,515	736
Prepaid Other	<u>2,950</u>	<u>1,624</u>
	<u>\$ 9,257</u>	<u>\$ 6,490</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of June 30, consisted of the following:

	<u>2003</u>	<u>2002</u>
Notes Receivable	\$ 353	\$ 748
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of \$3,047 and \$2,934 at June 30, 2003 and 2002, respectively	2,297	2,077
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of \$1,426 and \$1,006 at June 30, 2003 and 2002, respectively	7,131	5,964
Due from Affiliates	<u>403,878</u>	<u>379,834</u>
	<u>\$413,659</u>	<u>\$388,623</u>

Due from Affiliates as of June 30 consisted of the following unsecured, non-interest bearing intercompany amounts:

	<u>2003</u>	<u>2002</u>
Harrah's New Jersey, Inc.	\$ 18,962	\$ 18,962
I/C- Embassy Suites	364,844	344,646
Northeast Regional Office	6,615	6,127
Harrah's Lake Tahoe	133	133
Embassy Suites, Inc.	1,940	1,940
Harrah's Del Rio	184	184
Harrah's Reno	3,620	2,500
Harrah's Las Vegas	57	62
Bill's Casino	111	111
Harrah's Vicksburg	23	23
Harrah's Joliet	348	412
Harrah's New Orleans	1	1
Harrah's Shreveport	14	14
Harrah's St. Louis	74	74
Harrah's North Kansas City	41	42
Harrah's Cherokee	721	663
Harrah's Prairie Band	21	21
Harrah's Showboat	5,408	3,240
Harrah's Tunica	7	-
Harrah's Ak Chin	14	-
Showboat East Chicago	627	606
Harvey's	66	26
Harrah's Gold Card	47	47
	<u>\$403,878</u>	<u>\$379,834</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

The Partnership transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership to fund daily operations, including accounts payable and payroll, as well as capital expenditures. The net transfers to HOC were \$73.9 million and \$41.8 million for the three months ended June 30, 2003 and 2002, respectively.

NOTE 7 - OTHER ASSETS

Other Assets as of June 30 consisted of the following:

	<u>2003</u>	<u>2002</u>
Deposits	\$ 57	\$ 57
Deferred Other	31	118
Deferred and Prepaid CRDA Obligations	<u>10,994</u>	<u>12,974</u>
	<u>\$11,082</u>	<u>\$13,149</u>

NOTE 8 - INVESTMENT OBLIGATIONS

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Partnership may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

The Partnership includes CRDA investment bonds and funds on deposit with the CRDA in investments, advances and receivables. The Partnership records a charge to operations to reflect the estimated realizable value of its CRDA investment obligations.

Through 2003 the Partnership was required to make deposits with the CRDA of approximately \$83,890 towards its obligations through that date, of which \$82,421 was deposited. The Partnership's obligation for the second quarter of 2003 of approximately \$1,469 was deposited in July 2003.

The Partnership has committed \$11,986 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. This amount has been capitalized and is being amortized on a straight-line basis over a 15 year period since the Convention Center reopened for operations during September 2001. Investments, advances and receivables at June 30, 2003 reflect \$2,668 in deposits, which have been earmarked for the project.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2003, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City at an estimated cost to the Partnership of approximately \$54,500. As of June 30, 2003, approximately \$54,410 has been expended by the

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Partnership of which approximately \$4,123 was reimbursed to the Partnership from certain government grants and \$18,742 represented a prepayment position of the Partnership's future obligations.

In December 1999, the CRDA approved a credit exchange agreement between Harrah's Atlantic City and Atlantic City Showboat. The credit exchange agreement resulted in Harrah's Atlantic City exchanging \$4,628 of its future South Jersey CRDA obligations for \$4,628 of Atlantic City Showboat's current Atlantic City CRDA obligations. Harrah's Atlantic City received this amount in January 2000 as a reimbursement of its prepaid Atlantic City obligation, previously mentioned.

NOTE 9 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of June 30 consisted of the following:

	<u>2003</u>	<u>2002</u>
Accrued Salaries, Wages and Benefits	\$6,336	\$ 9,143
Taxes Payable	2,212	2,436
Accrued In-House Progressive Slot Liability	324	181
Accrued City Wide Progressive Slot Liability	874	1,105
Accrued Interest, Long-term debt	4,333	34,811
Accrued Casino Control Commission / Department		
Gaming Enforcement Casino License Fees	876	840
Other Accrued Expenses	<u>6,979</u>	<u>6,281</u>
	<u>\$21,934</u>	<u>\$54,797</u>

NOTE 10 - OTHER LIABILITIES

Other Liabilities as of June 30 consisted of the following:

	<u>2003</u>	<u>2002</u>
Due to Affiliates, Long-term	\$39,751	\$39,774
Other	<u>1,644</u>	<u>3,139</u>
	<u>\$41,395</u>	<u>\$42,913</u>

Due to Affiliates at June 30 consisted of the following unsecured, non-interest bearing inter-company accounts:

	<u>2003</u>	<u>2002</u>
Harrah's Holdings, Inc.,	\$ 603	\$ 603
Harrah's Atlantic City, Inc.	38,855	38,855
Harrah's Ak Chin	-	23
Harrah's Tunica	-	1
Harrah's Holiday Inns of New Jersey, Inc.	<u>293</u>	<u>292</u>
	<u>\$39,751</u>	<u>\$39,774</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 11 - CHARGES FROM AFFILIATES - OTHER

Use of Trademarks - The Partnership entered into a license agreement in August 1995 with Harrah's Las Vegas, Inc., (the "Licensor") for the use of certain licensed trademarks. The licensing agreement was renewed in 2001 for an additional five-year period. During 2002, the licensing agreement was amended, effective January 1, 2002, to reduce the royalty fee to zero. Prior to this amendment, the Partnership had been required to pay a fixed license fee of \$34,050 per year. For the three months ended June 30, 2003 and 2002, the Partnership's license fee was \$0.

Administrative Services - The Partnership is charged a fee from HOC for administrative services (including legal, accounting and insurance). The Partnership was charged \$5,796 and \$5,748 for these services for the six months ended June 30, 2003 and 2002, respectively.

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

In December 1998, the Partnership sold two parcels of land to the State of New Jersey. However, the valuation of the land sold to the State of New Jersey in 1998 was under dispute between the respective parties. The Partnership and the State of New Jersey settled the real estate condemnation dispute resulting in a Partnership gain of \$14,333, of which \$0 and \$121 was realized in the six months ended June 30, 2003 and 2002, respectively.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$139 was reported in 2002 on the Statement of Changes in Partners' Equity to correct a prior year intercompany tax provision.

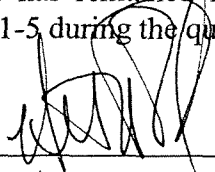
NOTE 14 - SUBSEQUENT EVENT

On July 1, 2003 the State of New Jersey introduced an "Act concerning the Casino Control Act and certain agreements and taxes and fees concerning casinos." The new act, known as Assembly Bill No. 3713, (Senate Bill No. 3001) became effective July 1, 2003. The Company is currently reviewing the provisions of the new Legislation and evaluating its impact on future financial performance.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

STATEMENTS OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this Quarterly Report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Vice President of Finance and Administration
Title

7022-11
License Number

On Behalf of:

Marina Associates
Casino Licensee

CCC-249